

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Page 5

CONTRACTING PARTIES  
Twelfth Session

## SUMMARY RECORD OF THE SECOND MEETING

Held at the Palais des Nations, Geneva,  
on Friday, 18 October 1957, at 10 a.m.

Chairman: Sir Claude COREA (Ceylon)

- Subjects discussed:
1. Budget
  2. Finnish schedule
  3. Schedules
  4. Request by Ceylon - Article XVIII
  5. EEC Treaty: Report by the Intersessional Committee
  6. Brazilian tariff and schedule
  7. Balance-of-payments questions

1. Budget (L/636, L/694 and Corr.1, L/654 and Add.1)

The CHAIRMAN stated that, as agreed by the CONTRACTING PARTIES at their Eleventh Session, the Intersessional Committee had at its September meeting appointed a working party to begin examination of the financial statements and the budget for 1958 in advance of the Session.

The CONTRACTING PARTIES confirmed the appointment of the Working Party on Budget, with the following membership and terms of reference:

Chairman: Mr. Machado (Brazil)

<u>Members:</u>	Australia	France	India
	Canada	Germany	United Kingdom
	Chile	Indonesia	United States
	Czechoslovakia	Italy	

Terms of reference:

To examine any questions arising in connexion with the audited accounts for 1956, the financing of the 1957 budget and the proposals for the budget for 1958, and to submit recommendations to the CONTRACTING PARTIES.

The CHAIRMAN called on the Executive Secretary to report on the affiliation of the GATT staff to the United Nations Joint Staff Pension Fund.

The EXECUTIVE SECRETARY said that he was happy to be able to report that since the Eleventh Session, negotiations for the affiliation of the staff to the Pension Fund had been successfully concluded, on the terms approved by the CONTRACTING PARTIES. He thanked all those who had taken an active part in the matter, and in particular the Chairman of the Budget Working Party and the delegations of Australia, Canada, India and the Netherlands for their special efforts in both New York and Geneva. He asked the CONTRACTING PARTIES to authorize him to express to the Secretary-General of the United Nations their gratification at the satisfactory outcome and their appreciation of the understanding which the Secretary-General had shown during the later stages of the negotiations.

It was so agreed.

2. Finnish Schedule (L/688)

The CHAIRMAN invited the Finnish representative to present his Government's request.

Dr. SODERHJELM (Finland) stated that on 15 September 1957 the Bank of Finland, with the concurrence of the International Monetary Fund, had changed the par value of the Finnish markka from 231 to 320 to the United States dollar, a reduction of 39 per cent. In accordance with the provisions of Article II:6(a) of the General Agreement, his Government therefore requested the CONTRACTING PARTIES to authorize Finland to adjust the specific duties of Schedule XXIV to correspond to the new par value, since the adjustment would not impair the value of concessions granted to contracting parties.

The Chairman suggested that the matter be referred to the Working Party on Schedules which was to be established.

It was so agreed.

### 3. Schedules

The CHAIRMAN proposed that, as at previous sessions, a working party should be appointed to deal with questions affecting the Schedules to the Agreement, and in particular to prepare for signature a new protocol of rectifications and modifications and consider questions concerning the preparation of consolidated schedules. The working party would also examine the question raised by Finland referred to above.

The CONTRACTING PARTIES approved the establishment of a Working Party on Schedules with the following membership and terms of reference:

Chairman: Mr. Dubois (Belgium)

<u>Members:</u>	Australia	Greece	South Africa
	Canada	India	United Kingdom
	France	Japan	United States
	Germany	New Zealand	

Terms of reference:

1. To examine requests by contracting parties for rectification of their schedules and to prepare a Protocol for signature before the close of the Session.
2. To examine any questions that arise in connexion with the preparation of consolidated schedules and to make recommendations to the CONTRACTING PARTIES.
3. To consider the notification by the Government of Finland of its intention to adjust the specific duties included in Schedule XXIV in accordance with the provisions of Article II:6(a), and to make recommendations, as necessary, to the CONTRACTING PARTIES.
4. To consider any other matters affecting the Schedules to the Agreement which may be referred to it by the CONTRACTING PARTIES.

#### 4. Request by Ceylon for releases under Article XVIII (SECRET/89)

The CHAIRMAN recalled that the Government of Ceylon had requested that this application be taken up early in the Session and be dealt with expeditiously. The Intersessional Committee had recommended that the Panel technique be employed in dealing with these applications and that the Panel be appointed at the very beginning of the Session. If this proposal were adopted the Panel itself would have to agree upon its own procedures following, no doubt, those which had been adopted by previous Panels.

Mr. E. PAUL (Ceylon) said that this year his Government presented five applications, two concerning new industries and the remaining relating to modifications and an extension of earlier releases. At the previous Session when making similar applications the Minister of Commerce and Trade of Ceylon

had outlined the needs for development and protection of industry in a country like Ceylon with a largely agricultural economy. The principle of diversification of national economies was one which the CONTRACTING PARTIES had in the past considered with sympathy. The present applications intended to further the development of industry. The releases were applied for to enable the implementation of an Act of Parliament which was designed to facilitate the marketing of industrial products of domestic origin by enlisting the aid of the traders under a scheme of licensing of imports. As for the procedure to be adopted for dealing with these applications Mr. Paul thought that experience had shown that the working party procedure for examination of the applications had worked efficiently and satisfactorily, but his delegation would not object to the adoption of the panel procedure insofar as it ensured a speedy consideration of the item.

The Chairman pointed out that different procedures and criteria are provided for in the old and revised texts of Article XVIII. If Ceylon should have signed the Protocol Amending Part II - or should announce its intention to do so - before the Working Party began its examination of the applications, the Working Party would proceed under the revised provisions of the new Article. Should Ceylon continue to apply the old Article XVIII it would proceed under that text.

The CONTRACTING PARTIES agreed to the appointment of a Panel on Article XVIII applications with the following terms of reference and membership:

Chairman: Dr. E. Treu (Austria)

Members: Mr. M. Brondi (Uruguay)  
Mr. M.G. Clark (Canada)  
Mr. A. Malik Slawat (Indonesia)  
Mr. M.N. Cuhruk (Turkey)

Terms of reference:

To consider, in consultation with the representative of Ceylon and representatives of other interested countries, the applications submitted by the Government of Ceylon under Article XVIII, and to submit findings and recommendations to the CONTRACTING PARTIES.

**5. European Economic Community Treaty - Report by the Intersessional Committee**

The CHAIRMAN referred to Section 1(a) of the Report by the Intersessional Committee on its activities between the Eleventh and Twelfth Sessions (L/708) in which was set out the consideration the Committee had given to the procedures which might be followed by the CONTRACTING PARTIES in their examination of the Rome Treaty pursuant to the provisions of paragraph 7 of Article XXIV. The Committee had done some preparatory work to facilitate the consideration of the Treaty by the CONTRACTING PARTIES and a report containing references to the documentation available and proposals for the examination of the Treaty had been issued in L/696.

The Chairman pointed out that this item - the examination of the Treaty establishing the European Economic Community - was on the agenda for the ministerial meeting commencing on 28 October, and it was considered by the Intersessional Committee, when preparing the report in L/696, that the first plenary discussion of this question should be left until the ministers were present. In paragraph 3 of that report, however, the Committee had indicated that it might be desirable to appoint a working party or working group at the beginning of the Session whose sole function would be to continue the process of ascertaining the required facts concerning the Treaty and its implementation. This was the question the CONTRACTING PARTIES would now have to consider.

Several contracting parties then expressed the opinion that the recommendation by the Intersessional Committee should be reviewed in the light of present circumstances. It had been the general feeling of the Committee that substantive discussion of the Rome Treaty be left until the ministerial meeting and to the subsequent machinery that would be established thereafter. They held the view, therefore, that little purpose would be served by the setting up of a fact-finding working group since there was adequate documentation and other factual data available as set out in the Committee's report in L/696; in addition, statistical data was being supplied by the secretariat. They thought, therefore, that it was doubtful whether the data available could be usefully supplemented at this stage. Further, it would be difficult to separate matters of a fact-finding nature from matters of substance, and such an examination might therefore prejudice the discussion of this item when it took place at a ministerial level.

Other contracting parties, on the other hand, thought that some further preparatory and exploratory work would be useful to clarify and define the issues involved and to supplement the data at present available, since this would facilitate the discussion of this question by the ministers.

In order that such preparatory work might not prejudice the discussion by the ministers by impinging on questions of substance the Chairman suggested that the terms of reference of the working group to be set up should limit the work of the group to examining what additional statistical material and factual data could be made available, and that, in view of the fact that the Intersessional Committee had already been dealing with these problems in the intersessional period, the mandate of the Committee be extended with the following terms of reference:

"To consider what factual or other data, in addition to the documentation already available, might be obtained in order to facilitate the examination of the EEC Treaty by the CONTRACTING PARTIES and to report to the CONTRACTING PARTIES prior to the commencement of the Meeting of Ministers on 28 October."

In this connexion the Chairman pointed out that the Committee was fully representative and any contracting party interested could be co-opted on request.

The CONTRACTING PARTIES agreed to instruct the Intersessional Committee as proposed by the Chairman.

6. Brazilian tariff and schedule (MGT/90/57 and Annexes TNB/3, 4 and 5)

The DEPUTY EXECUTIVE SECRETARY informed the contracting parties that the Decision of 16 November 1956 had become applicable with the entry into force of the Brazilian Tariff Law on 14 August 1957. On the basis of this Decision the Finnish Government had decided to suspend the application of concessions initially negotiated with Brazil. As indicated in the report of the Intersessional Committee, the Brazilian Tariff Negotiations Committee, which had been instituted at the Eleventh Session, had met on 7 October. The Committee had decided that on 18 November and thereafter, preliminary discussions would be held in Geneva with the Brazilian delegation either at meetings of the Committee or bilaterally for the clarification of any points relating to the negotiations. The actual tariff negotiations would begin in Geneva on 6 January 1958.

As indicated in paragraph 4 of document TNB/5 the Committee had noted that the results of the negotiations might not be put into effect within a period of one year from the date of the enactment of the new tariff, that is, on 14 August 1958. As the CONTRACTING PARTIES would probably not be in Session at that time, the Committee had recommended that at the Twelfth Session the Intersessional Committee be empowered to extend this period if requested. The Decision of 16 November 1956 provided specifically for the possibility of such an extension.

The CONTRACTING PARTIES granted the Intersessional Committee authority to extend the time-limit for the completion of the negotiations and putting into effect of the results, if so requested.

7. Balance-of-payments questions (L/644 and Add.1 and Add.2)

The CHAIRMAN proposed that the following items be considered as a group:

- 13(a) Consultations under Article XII:4(b)
- (b) Consultations under Article XIV:1(g)
- (c) Eighth Annual Report under Article XIV:1(g)
- 14(h) New Zealand Waiver - Article XV:6
- (i) Czechoslovakian Waiver - Article XV:6

and questions arising from the entry into force for certain contracting parties of the revised Articles XII and XVIII.

The Chairman recalled that the CONTRACTING PARTIES, when appointing the Consultations Committee at the Eleventh Session, had agreed that it was desirable, in order to ensure continuity, that the same Committee should complete the series of consultations during the Twelfth Session. The Committee should, therefore, be reconstituted as a Working Party of the Session to which all the questions referred to above could appropriately be referred. The Chairman then suggested that the reports submitted to the CONTRACTING PARTIES on the various consultations under Article XII:4(b) should not be left for consideration towards the close of the Session but be examined through the Session. The reports on the consultations which took place in June (L/644 and Add.1 and Add.2) could appropriately be considered before the ministerial meeting.

Miss SEAMAN (United Kingdom) referred to the outcome of the consultations with the Federal Republic of Germany. The Consultations Committee had held that the provisions of Article XII no longer applied and that the Federal Government was, therefore, no longer entitled to invoke balance-of-payments reasons for maintaining quantitative restrictions. The United Kingdom Delegation awaited with great interest the programme for dealing with the restrictions which the German delegation had undertaken to submit at the Twelfth Session, and hoped that the report would be forthcoming soon in order to enable the CONTRACTING PARTIES to give them full consideration before the end of the Session.

Messrs. ADAIR (United States), GUNDELACH (Denmark) and SMITH (Australia) supported this view.

Mr. KLEIN (Federal Republic of Germany) said that owing to the recent elections no government had yet been instituted, so that his delegation was not in a position to make a statement about the policy to be followed as a result of the consultations. It was likely the necessary information could be given within a fortnight after the setting up of a new government, which was expected to take place in the very near future.

Referring to the item "Consultations under Article XIV:1(g)" Mr. VAN LANGENBERG (Ceylon) stated that although the discriminatory element in the Ceylon import restrictions was infinitesimal, his Government considered that the provisions of Annex J continued to apply. In view of the fact that the Ceylon Government had agreed to participate in the general programme of consultations under Article XII it had been thought that a separate consultation under Article XIV:1(g) would not be necessary. If, however, the CONTRACTING PARTIES considered that the provisions of Article XIV:1(g) should be applied to the letter, his delegation was prepared to engage in a consultation under Article XIV:1(g) in conjunction with the consultation under Article XII:4(b).

It was agreed that Ceylon consult under Article XIV:1(g) in conjunction with the latter consultation.

The CONTRACTING PARTIES then agreed that the Consultations Committee appointed at the Twelfth Session be reconstituted as the Working Party on Balance-of-payments questions with the same membership and Chairman. The Chairman added that the assistance of the Fund's mission in the work of the Working Party would, as in the past, be greatly appreciated. On their request the Governments of India and Norway were included in the membership, which, with the terms of reference would be as follows:

Chairman: Mr. L. Cozzi (Italy)

<u>Members:</u>	Australia	Denmark	Japan
	Belgium	Dominican Republic	Norway
	Brazil	France	Pakistan
	Canada	Federal Republic of	United Kingdom
	Ceylon	Germany	United States
		India	

Terms of reference:

1. To complete the series of consultations under Article XII:4(b) arranged by the CONTRACTING PARTIES at their Eleventh Session.
2. In conjunction with the consultations referred to in paragraph 1, to conduct or complete consultations with Finland, France and India concerning their intensification of restrictions pursuant to Article XII:4(b).
3. In conjunction with the consultations referred to in paragraph 1, to conduct the consultations under Article XIV:1(g) with Australia, Ceylon, New Zealand, the Federation of Rhodesia and Nyasaland and the United Kingdom.
4. To prepare the eighth annual report on discriminatory import restrictions as required by Article XIV:1(g).
5. To recommend action by the CONTRACTING PARTIES insofar as the contracting parties which have accepted the Protocol Amending the Preamble and Parts II and III are concerned, in implementing the revised provisions of Article XII and of Section B of Article XVIII, and any changes in the intersessional procedures that may be necessary in the light of the revised provisions of these Articles.
6. To conduct consultations with Czechoslovakia and New Zealand pursuant to the Decisions of 5 March 1955 and 20 January 1955 respectively.

With reference to paragraph 5 of the terms of reference the Chairman indicated that the principal point for the Working Party was the timing of the review of balance-of-payments import restrictions in accordance with the revised provisions of Articles XII and XVIII.

The meeting adjourned at 12.35 p.m.